



United States  
of America

# Congressional Record

PROCEEDINGS AND DEBATES OF THE 104<sup>th</sup> CONGRESS, SECOND SESSION

Vol. 142

WASHINGTON, TUESDAY, MAY 14, 1996

No. 67

## House of Representatives

The House met at 12:30 p.m. and was called to order by the Speaker pro tempore [Mr. FOLEY].

### DESIGNATION OF SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,

May 14, 1996.

I hereby designate the Honorable MARK FOLEY to act as Speaker pro tempore on this day.

NEWT GINGRICH,  
*Speaker of the House of Representatives.*

### MORNING BUSINESS

The SPEAKER pro tempore. Pursuant to the order of the House of May 12, 1995, the Chair will now recognize Members from lists submitted by the majority and minority leaders for morning hour debates. The Chair will alternate recognition between the parties, with each party limited to not to exceed 30 minutes, and each Member except the majority and minority leader limited to not to exceed 5 minutes.

The Chair recognizes the gentleman from Massachusetts [Mr. FRANK] for 5 minutes.

### LEGISLATION NEEDED TO COMBAT UNSCRUPULOUS BUSINESS PRACTICE

Mr. FRANK of Massachusetts. It is a pleasure to again be able to address Speaker FOLEY.

Mr. Speaker, I want to talk about a subject in which I plan soon to introduce legislation. It has to do with the practice of large, wealthy entities using a combination of their wealth but also the laws of this country, the securities laws, the tax laws, accounting principles to acquire companies when their intention in acquiring the companies is to shut them down.

In particular, I am addressing the situation in New Bedford, MA, where, to my great dismay, the firm of Kohlberg, Jerome Kohlberg and James Kohlberg, bought a company which had a plant in New Bedford, MA, a plant that has been in existence for over 100 years, that is profitable today as it was profitable when they bought it, making various forms of fasteners, shoe eyelets, and they bought it apparently to close it down. They bought it because given the tax advantages that were available to them when they borrowed money for the purchase, given other kinds of accounting questions as to what things are valued at, it enriches them more, because they are very wealthy people—we are not talking about anyone fighting for survival—it enriches them more to close it down.

I want to make a distinction because I have had people say to me, "Well, don't the owners of private property have a right to do things? In some cases closing down a plant that's faltering is the only thing to do."

Yes; sadly that is the case. But I want to make this important distinction. I am not, in the legislation I will be preparing, seeking to restrict someone who is in business, who has owned a business, who is trying to make a product, who decides that he or she can no longer profitably do that, that his or her capital would produce a better return elsewhere. I am not talking about disturbing the business decisions of long-term owners. That is a different issue. I will address that in another context. I am talking here about the case of Jerome Kohlberg and James Kohlberg acquiring this business for the purpose of shutting it down.

If it were a business that was dying because of a lack of profitability, the question would be a different one. If it were a business that were losing its suppliers, that was being even outcompeted by others, the case would be a different one. What I want to do is

to examine the tax laws, the corporate laws, the accounting practices in this country that make it profitable for people to buy a company and shut it down.

The Kohlbergs, having paid, they tell us, \$16 million for this company as they account for it, and I am skeptical of how exactly they got to that number, will not accept bona fide offers that were made for the company. I want to stress that again. We are not talking about forcing someone to keep open an unprofitable enterprise. There are responsible businesspeople in the city of New Bedford. They have worked with the United Electrical Workers Union, which has been very statesmanlike in this regard; they have worked with the mayor of New Bedford and her Economic Development Commission. And people who know the business, people who have made manufacturing work in New Bedford, have come in and said, "Please sell us this at a reasonable price," and they have been refused. Indeed, the Kohlbergs did not want to even entertain offers of a sale. We pressured them so they said they would entertain offers but they did it in so unrealistic a fashion that we had no chance to succeed.

What happens? What happens is they use various laws so they can buy up a company just to shut it down. More than 100 people are thrown out of work. Their families will be in distress. Costs will be imposed on the city of New Bedford, on the State of Massachusetts, on banks, on schools, on auto dealers. These are hardworking Americans who suddenly find themselves bereft of an income at a time and a place where it is not going to be easy for them to replace it, so that Jerome Kohlberg and James Kohlberg, who are already quite wealthy, can get wealthier.

Again, I want to stress, this is a case where they bought this place to shut it

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.



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